ASX RELEASE

Monday 14th July 2014

Rights Issue Cleansing Notice under section 708AA(2)(f) Corporations Act (Notice)

King Island Scheelite Limited (**KIS**) announced today, Monday 14th July 2014, that it will undertake a non-renounceable rights issue of, subject to rounding, 16,894,050 fully paid ordinary KIS shares to its shareholders (**Issue**) on the basis of an entitlement to subscribe for 1 ordinary KIS share (**New Share**) for every 8 ordinary KIS shares held at the Record Date, being Friday, 18th July 2014, with each such share being issued at an issue price of $0.12 to raise approximately $2,027,000 (**Offer**).

The Company states that it will offer the New Shares for issue without disclosure to investors under section 708AA(2)(f) of the *Corporations Act 2001* (**Corporations Act**) as notionally modified by ASIC Class Order 08/35 (**CO 08/35**).

Further details regarding the Offer are set out in the Information Booklet to be lodged later today on Monday 14th July 2014 with the ASX.

For the purposes of section 708AA(7) Corporations Act, KIS advises:

(a) the New Shares will be offered for issue without disclosure under Chapter 6D of the Corporations Act as notionally modified by CO 08/35;

(b) this Notice is given under section 708AA(2)(f) Corporations Act as notionally modified by CO 08/35;

(c) as at the date of this Notice, KIS has complied with the provisions of:

 (i) Chapter 2M Corporations Act as they apply to KIS; and

 (ii) section 674 Corporations Act,

(d) as at the date of this Notice, there is no excluded information of the type referred to in section 708AA(8) and 708AA(9) Corporations Act as notionally modified by CO 08/35; and

(e) information regarding the potential effect of the issue of New Shares pursuant to the Offer on the control of KIS, and the consequences of that effect is set out below.

Mr Richard Willmot Chadwick and Mrs Gwenda Ann Chadwick, and Chrysalis Investments Pty Ltd, who are substantial shareholders of KIS, have confirmed that they will take up their entitlements and have also agreed to underwrite approximately $922,000 of the Offer. In addition, FinMin Solutions Pty Ltd has entered into a priority sub underwriting arrangement with Chrysalis Investments Pty Ltd in respect of approximately $50,000 of the Offer.

Entities associated with the KIS directors and certain other shareholders have agreed they will take up their entitlements (**Committed Shareholders**). Further details regarding the Offer are set out in the Information Booklet.

Effect of the Offer on control

It is not possible to predict the effect of the Offer on the control of KIS. There are a number of possible outcomes that may arise which will, largely, depend on the extent to which Eligible Shareholders take up their rights (**Rights**) and apply for Top Up Shares.

If all Eligible Shareholders take up their Rights, each Eligible Shareholders percentage ownership interest (and voting power) in KIS will remain and the effect on the control of KIS will be negligible.

To the extent that any Eligible Shareholder fails to take up their Rights, that Eligible Shareholder's percentage holdings in KIS will be diluted by those other Eligible Shareholders who take up some, all or more than their Rights.

The voting power of ineligible foreign shareholders will be diluted.

If no Eligible Shareholders (other than the underwriters and Committed Shareholders) take up their Rights (which the board considers unlikely), then the underwriters will be required to subscribe or procure subscriptions from others, for

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all the New Shares. If this occurs, and the underwriters and Committed Shareholders subscribe for New Shares, Richard and Gwenda Chadwick will increase their voting power to approximately 15.86% (up from 13.34%) and Chrysallis Investments (an entity associated with director, Chris Ellis) will increase its voting power to approximately 16.20% (up from 13.67%). Each other shareholder (except the underwriters and Committed Shareholders) will have their voting power diluted.

FinMin Solutions Pty Ltd (an entity associated with director and chairman, Johann Jacobs) has entered into a sub-underwriting agreement with Chrysalis Investments Pty Ltd to sub-underwrite approximately $50,000 of the Offer. If FinMin Solutions Pty Ltd takes up its Rights in full, the Offer is not fully subscribed, and it is issued the maximum number of Shares it is entitled to under the sub-underwriting, it will increase its voting power to approximately 1.33% (up from 1.05%).

The board considers that the increase in the voting power of Richard and Gwenda Chadwick and Chrysalis Investments may have an effect on the control of KIS because each of those shareholders would be likely to have a greater degree of influence when voting on resolutions to be considered at shareholder meetings.

Richard and Gwenda Chadwick and Chrysalis Investments would still have a shareholding in KIS of greater than 10% - ie, effectively a "blocking stake" for the purposes of a Chapter 6 takeover bid (as a bidder needs to acquire 90% of all shares on issue under a takeover bid to be able to compulsorily acquire the remaining shares). As Richard and Gwenda Chadwick and Chrysalis Investments already have an interest in more than 10% of KIS' issued shares, the board considers that there is no material change to the control of KIS from this perspective.

The board considers the possible effect on control as acceptable in the circumstances as this would only occur where all Eligible Shareholders have had an equitable opportunity to participate in the Offer (including the ability to increase their holding through the Top Up Facility).

Yours sincerely

Johann Jacobs

Chairman